

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 EB-07 OPIC-03 L-03 SP-02 SS-15

INR-07 /058 W

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R 171849Z JAN 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9562

INFO AMEMBASSY ACCRA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 00829

DEPARTMENT PASS OPIC

E.O. 11652: GDS

TAGS: GH, EAIR

SUBJECT: GHANA AIRWAYS, OPIC, AND LONRHO

L. WE HAVE RECEIVED A LETTER AND AIDE-MEMOIRE FROM LONRHO DIRECTOR TINY ROWLAND LAYING OUT LONRHO'S ANALYSIS OF THE GHANA GOVERNMENT-OPIC NEGOTIATIONS FOR TWO DC-9S AND ONE DC-10 FOR GHANA AIRWAYS. THE LETTER ALSO SPELLS OUT WHAT LONRHO IS PREPARED TO DO IN ORDER TO ARRANGE THE NECESSARY FINANCING OF THE DEAL. ACTION REQUESTED: WE HAVE SENT ROWLAND AN INTERIM REPLY BUT WOULD APPRECIATE DEPARTMENT GUIDANCE IN PREPARING A MORE DETAILED RESPONSE.

2. BEGIN TEXT OF LETTER:

I HAVE FROM TIME TO TIME SPOKEN TO YOU (SEITZ) ABOUT GHANA AND HAVE TOLD YOU OF MY INVOLVEMENT, AT THE REQUEST OF GENERAL ACHEAMPONG, IN SEEKING TO ARRANGE THE NECESSARY FINANCE FOR THE RE-EQUIPMENT OF GHANA AIRWAYS, WHICH BY ANY STANDARD CERTAINLY NEEDS RE-EQUIPMENT.

I HAVE ALSO MENTIONED TO YOU OUR PREPAREDNESS TO SEE
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ASHANTI GOLDFIELDS, IN WHICH WE HAVE A STAKE OF 45 PERCENT ALONGSIDE OF THE GHANA GOVERNMENT'S 55 PERCENT, ASSIST THIS REFINANCING PROJECT THROUGH ITS PERMITTING A "STOP ORDER" ON A PROPORTION OF ITS GOLD SALES EACH MONTH, THEREBY SERVING AS A FORM OF ULTIMATE GUARANTEE OF ANY CREDIT OBLIGATION. ALSO, I HAVE MENTIONED TO YOU TALKS WHICH I HAVE HAD IN WASHINGTON WITH THE

OFFICIALS OF OPIC DURING MY LAST VISIT THERE. AT THE TIME, THEY WERE ALL MOST HELPFUL AND HELD OUT EVERY PROSPECT OF THEIR INVOLVEMENT. FROM OUR SIDE, EVERYTHING HAS MOVED AHEAD SMOOTHLY; THAT IS, THE SWISS BANKS HAVE AGREED IN PRINCIPLE TO PARTICIPATE OUT OF THEIR NEW YORK BRANCHES WITH SUFFICIENT DOLLARS IN PROVIDING THE SHORTER TERM MONEY, AND THE REMAINDER OF THE FUNDS WILL BE COMING IN A FORM THAT PRECLUDES THE NEED OF OPIC INSURANCE OF THEM AND WITH REPAYMENT OF THEM ONLY AFTER THE SHORTER-TERM FUNDS TO BE INSURED BY OPIC HAVE THEMSELVES BEEN REPAID.

SO, YOU CAN SEE THAT GHANA CAN HAVE ITS NEW FLEET OF TWO DC-9S AND A DC-10; THE UNITED STATES CAN EFFECT AN EXPORT TO BE FUNDED OR GUARANTEED LARGELY BY OFF-SHORE INTERESTS - ALL SO LONG AS IT IS PREPARED TO COME IN TO GUARANTEE THE EARLIER MATURITIES, WHICH AMOUNT TO NO MORE THAN \$24 MILLION OUT OF A TOTAL PACKAGE WORTH \$69 MILLION - NOT A BAD DEAL FOR THE UNITED STATES AND FRANKLY, I THINK YOU WILL AGREE, NOT A BAD DEAL FOR OPIC. END TEXT OF LETTER

3. BEGIN TEXT OF AIDE-MEMOIRE:

IN JUNE 1976, IN MEETINGS WITH SENIOR OFFICERS OF OPIC IN WASHINGTON, THE IMPORTANCE OF THE RE-EQUIPMENT OF GHANA AIRWAYS WAS DISCUSSED. OPIC CONFIRMED THAT THEY REGARDED INVESTMENTS IN GHANA AS ELIGIBLE FOR THEIR COVER AND GAVE AS EXAMPLES THE FIFTH POT LINE OF KAISER ALUMINUM FOR WHICH THEY HAD GIVEN COVER IN 1975 AND AN CONFIDENTIAL

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AGRO-BUSINESS INVESTMENT IN 1976. FURTHER, THEY STATED THAT A SENIOR OFFICER HAD VISITED GHANA IN SPRING 1976 AND HAD REPORTED MOST FAVOURABLY AND, AS A RESULT OF THIS VISIT, THEY WERE ABLE TO CONFIRM THEIR READINESS TO CONTINUE THEIR POLICY OF INVESTMENT INSURANCE COVER.

IT WAS PUT TO OPIC THAT IT WAS LIKELY THAT EXIM WOULD WITHHOLD GUARANTEE OF ANY FINANCE OF EXPORT OF EQUIPMENT TO GHANA BUT, HOWEVER, IN THE CASE OF KAISER ALUMINUM WHERE THE EXPORT WAS FROM THE UNITED STATES OPIC HAD NOT IN ANY WAY BEEN INHIBITED BY EXIM'S INABILITY TO COVER THE EXPORT - I.E. OPIC HAD COVERED THIS INVESTMENT THEMSELVES. THE ISSUE AS TO WHETHER

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 00829

OPIC COULD COVER AN INVESTMENT INVOLVING THE EXPORT OF AIRCRAFT WAS THEN CONSIDERED. OPIC'S COUNSEL OUTLINED THEIR AGREEMENT IN PRINCIPLE TO A DEAL FOR EGYPTAIR INVOLVING BOEING AIRCRAFT. THIS DEAL WAS DROPPED WHEN MORE FAVOURABLE FINANCE BECAME AVAILABLE. OPIC'S COUNSEL AGREED THAT THE SAME FORMULA WITH MINOR MODIFICATIONS COULD BE TOTALLY APPROPRIATE TO THE COVER OF AN INVESTMENT OF AIRCRAFT BY A UNITED STATES TRUST FOR USE BY GHANA AIRWAYS. IT SHOULD BE BORNE IN MIND THAT THOSE RESPONSIBLE FOR THE ARAB OIL MONEY ARE FULLY COGNIZANT OF THE PRIOR READINESS OF OPIC TO SUPPORT THE INVESTMENT OF THE BOEINGS IN EGYPT AND WOULD THUS BE JUSTIFIABLY SURPRISED IF OPIC WERE TO CHOOSE NOT TO BE INVOLVED IN AN AIRCRAFT TRANSACTION, OTHER THINGS BEING EQUAL.

BASED UPON THE TALKS WITH OPIC, THE NECESSARY FUNDS FOR THE PROJECT HAVE NOW BEEN SECURED IN PRINCIPLE. INDEED, IT IS IMPORTANT TO NOTE THAT CLOSE TO 50 PERCENT OF THE FUNDS ARE BEING PROFFERED FROM ARAB SOURCES IN SUCH A MANNER THAT OPIC WILL NOT BE NEEDED FOR THE INSURANCE OF THIS ELEMENT OF THE DEAL, THEREBY LEAVING OPIC WITH A REDUCED INSURANCE BURDEN FOR COVERAGE MERELY OF THE

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EARLIER MATURITIES AND IN A SENIOR POSITION TO THE ARAB LENDERS. THE LENDERS TO WHOM OPIC WOULD BE EXTENDING COVER ARE NOT LOOKING TO OPIC FOR COMMERCIAL CREDIT

INSURANCE BUT SOLELY SOVEREIGN RISK INSURANCE (WAR, EXPROPRIATION, CONVERTIBILITY).

ON THE BASIS OF THE FOREGOING, A FULL REPORT WAS SUBMITTED TO H.E. GENERAL ACHEAMPONG, HEAD OF STATE OF GHANA. HOWEVER, SUBSEQUENTLY, BOTH OPIC'S CHIEF COUNSEL AND THE SENIOR OFFICER WHO HAD VISITED GHANA HAVE BOTH NOW LEFT OPIC, LEAVING A VACUUM AND A TEAM WHO APPEAR UNPREPARED TO TAKE THE ACTION NECESSARY TO IMPLEMENT WHAT PREVIOUSLY HAD BEEN CONSIDERED BY OPIC TO BE FEASIBLE. PRIVATELY, PERSONNEL AT OPIC HAVE INDICATED THAT THEY ARE RELUCTANT TO MAKE A DECISION ON THE INSURANCE COMMITMENT PENDING THE INSTALLATION OF THE NEW ADMINISTRATION.

THUS IN SUMMARY A PATTERN EMERGES WHERE:

A) GHANA NEEDS TO RE-EQUIP ITS AIRLINE FOR WHICH PURPOSE U.S. EQUIPMENT IS THE MOST APPROPRIATE (LETTERS OF INTENT HAVE ALREADY BEEN ISSUED IN RESPECT OF A DC-10 AND 2 DC-9S, SUBJECT TO THIS INVESTMENT PROGRAM BEING APPROVED BY OPIC);

B) ARAB OIL MONEY HAS BEEN SECURED IN PRINCIPLE TO STAND BESIDE OPIC IN CARRYING THE SOVEREIGN RISKS WHICH IT WILL TAKE IN RESPECT OF THE LATER MATURITIES;

C) BANKS HAVE BEEN LOCATED WHO ARE READY TO EXTEND FUNDS FOR THE EARLIER MATURITIES SUBJECT ONLY TO OPIC'S PARTICIPATION;

D) OPIC'S COVERAGE HAS ALREADY BEEN INDICATED AS FEASIBLE AND GHANA SPECIFICALLY STATED AS BEING ELIGIBLE CONFIDENTIAL

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FOR THAT COVER;

E) THE CREDIT RISK IS OF NO CONSEQUENCE TO OPIC SINCE IT WILL BE CARRIED BY THE BANKS THEMSELVES WHO REGARD IT AS ACCEPTABLE.

14TH DECEMBER 1976

END TEXT OF AIDE-MEMOIRE

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, POLICIES, DIPLOMATIC COMMUNICATIONS, AIRCRAFT SALES, NEGOTIATIONS, GOVERNMENT REACTIONS
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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TAGS: EAIR, GH, US, GHANA AIRWAYS, OPIC
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